

Council-designated Ministry Funds

The Foursquare Church is dedicated to the cause of interdenominational and worldwide evangelism and is committed to planting and establishing local churches and empowering them to evangelize their communities. Fulfilling this purpose requires the financial support of all Foursquare churches and their participation in the Foursquare extension tithe through a tithe of the unrestricted gifts of the church per section IV.6 of the Handbook of Operations.

**What are the unrestricted gifts of the church?** Defining unrestricted gifts is best clarified by explaining a restricted gift. Restricted gifts are monies given by a donor to a fund set up by the church council that may not be spent for any purpose other than its intended purpose. Gifts given by a donor to an unrestricted fund are considered general fund money and can be used for any purpose. Tithes and Offerings are unrestricted funds, as the church can use them for any purpose. Unrestricted funds are commonly referred to as general funds or church operating funds.

**What governing bodies regulate these donor-restricted funds?** The state and IRS outline the regulations regarding donor-restricted funds. In addition, generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) outline the classification of donor-restricted and general fund monies in financial statements and the expenditure of those funds in the Accounting Standards Update 2016-14.

1. Organizations must present two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.
2. The financial statements must also reflect the church's financial assets in two categories: money available for general use and donor-restricted money. They must also state the financial assets available to meet cash needs within one year. These would be funds not donor-restricted.

The money the church receives in tithes and offerings per GAAP is considered net assets without donor restrictions.

**Are funds that the council designates for a specific purpose considered donor-restricted?** Donations received through tithes and offerings but reallocated by the church council to other funds are considered council-designated, not donor-restricted funds. These funds are not donor-restricted since the designation didn’t originate from the donor. Church council designations are preferences of how money is spent, and they can be changed as frequently as the church council decides without governance by state or IRS regulations.

Section IV.4 of the Handbook of Operations states that if a church council designates tithable income for “mission,” the money remains in the general fund. It is not donor-restricted as the donor did not restrict it.

**Should a church tithe on donor-restricted funds?** No, these funds were restricted and may only be spent for the purpose for which they were intended.

**Should a church tithe on council-designated funds?** Yes. Church council designations are funds that originate from tithes and offerings. Therefore, Foursquare bylaw section 13.3.A.3 applies: “*Each local Foursquare church* shall receive tithes and offerings for the ministry, maintenance, and expansion of the church. A tithe of the tithes and offerings received by the local church shall be designated as its “ministry extension tithe.”

**May a church set up donor-restricted funds for the church’s maintenance and regular operating expenses?** No. The following bylaws address this question.

* Bylaw section 13.3.A.3: Tithes and offerings are for the church's ministry, maintenance, and expansion.
* Bylaw 14.4.G: “The pastor of a Foursquare church shall encourage financial support of the church through tithes and offerings to meet all of the church’s obligations.”
* Bylaw 14.5: “Pastor compensation shall always be paid only to the extent that the church receives sufficient tithes and offerings to pay the church’s other obligations, and, further, only to the extent of the balance of the church’s funds received during the pastor’s employment.”

The Handbook of Operations further explains what is paid out of the church operating funds in section IV.5. Church operating expenses are separated into two categories: fixed and variable. Some examples of fixed expenses include the Foursquare extension tithe, rent, utilities, payroll, mortgage, repairs, and maintenance. Examples of variable expenses are ministry expenses, administrative expenses, etc. These statements underscore that the church receives tithes and offerings for church operating expenses.

**Who may I reach out to with further questions?** The district office is a resource for answering these and other questions.